New FSA Carryover Option

Q) Can an employer group change their plan from Grace period to Carryover now or in the future?
A) Employer groups need to consult with outside counsel to seek additional guidance and determine impacts and complications before making the decision to change. For employer groups that want to make that change, they will need to amend their plan documents by the last day of the plan year, but to be ready by the effective date for 1/1/2014 this decision must be made by 12/9/2013. For other effective dates this decision must be made 45 days prior to the effective date.

Q) If an employer group offers Health Care FSA Carryover, can it still have Grace Period on its Dependent Care FSA?
A) Yes, Dependent Care FSA Grace Period is not impacted

Q) Is an employer group required to offer FSA carryover?
A) No, an employer group is not required to offer a FSA carryover. If the employer group chooses to do so, they must offer the carryover to all qualified employees with the same maximum amount.

Q) Should employer groups contact their Account Team if they want to offer FSA carryover?
A) Yes, we will only offer FSA carryover support to employer groups upon their request.

Q) Can a group choose any dollar amount to carryover up to the $500?
A) Yes, according to the IRS guidance a customer can elect up to the $500 carryover or they can elect not to provide a carryover at all.

Q) Can an employer group with an off-calendar plan year (i.e. not 1/1 – 12/31 plan year) choose the carryover option?
A) Yes, carryover is an option for employer groups with off-calendar plan year plans.

Q) Can a group choose to carryover a percentage of the FSA fund instead of a flat dollar amount?
A) No, according to the IRS guidance a customer can elect up to the $500 carryover or they can elect not to provide a carryover at all.

Q) How will this work and impact Health Care Savings Cards (HCSC)?
A) The impact here should be limited. Employer groups with a HCSC will not need to have new cards reissued. However, employers may need to assist in additional reporting to ensure a smooth transition if they are seeking to implement the carryover for their 2013 plan year such as providing separate eligibility for employees that elect not to have a FSA in the next plan year.
Q) How will this impact groups looking to offer HSAs or members switching to an HSA?
A) Additional guidance is still needed to determine the full impact on general purpose health FSAs, specifically as it may relate to the zero balance requirement standardly associated with a member transitioning from an FSA to an HSA. Informal guidance suggests groups may be able to carryover these amounts into a limited purpose FSA without impacting a member’s HSA eligibility for the next year. Groups will want to consult with their own counsel in making any such transition decisions. Limited purpose FSAs that are compatible with an HSA will not have any adverse impact.

Q) How will the FSA carryover be displayed on myuhc?
A) We are still working to determine the impact on the member experience in accommodating the carryover provision and how it will be reflected on myuhc.com, Health Statements and EOBs. Additional communications will be forthcoming.

Q) If a group has a grace period for their 2013 plan year, can they remove it to allow the FSA carryover?
A) Yes, the group would need to amend their 2013 plan to remove the grace period, by 12/31/2013, to allow their members to have the carryover (up to $500) into their 2014 FSA plan. To do so, please contact your Account Management team by no later than 12/9/2013, to ensure 1/1/2014 readiness. For other effective dates this decision must be made 45 days prior to the effective date. Employer groups need to consult with outside counsel to determine potential ERISA impacts.

Q) Does the carryover provision apply to all FSAs?
A) The carryover amount can be applied to any health care FSA, including a limited purpose FSA that may complement a health savings account HSA. It does not, however, apply to dependent care FSAs.

Q) How will this impact groups with an HRA?
A) The carryover provision has no impact on HRAs. IRS rules relating to HRAs and FSAs will continue to apply as they have historically. IRS rules relating to claims hierarch payments for HRAs and FSAs will continue to apply as they have historically.

Q) Where can we find additional information on this carryover option?
A) As of 12/2, IRS has not released any new formal guidance. Additional communications will be forthcoming as UHC finalizes its systematic changes necessary to accommodate the carryover provision and as additional guidance is issued by the IRS.

Q) When selecting the carryover, do employers need to identify employees that elect not to have FSA in the next plan year?
A) Employers will need to provide separate eligibility for employees that elect not to have an HCSA in the next plan year but have a carryover so we can appropriately build them in our system.